



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Ted Stewart  
Executive Director

James W. Carter  
Division Director

355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
801-538-5340  
801-359-3940 (Fax)  
801-538-5319 (TDD)

November 28, 1994

Mr. Ken Webber  
U. S. Energy Corporation  
877 North 8th West  
Riverton, Wyoming 82501

Re: Formal Approval of Form and Amount of Reclamation Surety, U. S. Energy Corporation, Velvet Mine, M/037/040, San Juan County, Utah

Dear Mr. Webber:

On November 17, 1994, the Board of Oil, Gas and Mining formally approved the form and amount (\$63,900) of reclamation surety for U. S. Energy Corporation's Velvet Mine. This approval was granted after the Board reviewed the letter between U. S. Energy Corporation and Umetco Minerals Corporation resolving the discrepancy in the acreage associated with the mining property. The reclamation surety is in the form of a surety bond (#S177 497) issued by Employers Mutual Casualty Company. Subsequent to the Board's approval of the form and amount of surety, the Division Director approved the transfer of the mine from Umetco Minerals to U.S. Energy Corporation, November 21, 1994.

U. S. Energy Corporation is now the party fully responsible for the reclamation of the Velvet mine. Umetco Minerals is hereby released from any further responsibility of the mine. Enclosed please find copies of the fully signed and executed transfer form, reclamation contract, surety bond and the acreage discrepancy letter, for your files.

Thank you for your time, cooperation and patience in helping finalize this permitting action. Please call me should you have any questions in this regard.

Sincerely,

Anthony A. Gallegos  
Reclamation Engineer

jb  
Enclosure

cc: Milton Derrick, Umetco Minerals  
Sal Venticinque, BLM, Grand RA  
M03740

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

*Released*  
*11/21/94*

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)  
(Mineral Mined)

M/037/040

Uranium & Vanadium

"MINE LOCATION":

(Name of Mine)  
(Description)

VELVET MINE

PART OF SECTION 3, TOWNSHIP 31 SOUTH,  
RANGE 25 EAST, S.L.B.M.  
SAN JUAN COUNTY, UTAH

"DISTURBED AREA":

(Disturbed Acres)  
(Legal Description)

27 ACRES

(refer to Attachment "A")

"OPERATOR":

(Company or Name)  
(Address)

UMETCO MINERALS CORPORATION

P.O. BOX 307

LA SAL, UTAH

(Phone)

(801) 686-2228

**"OPERATOR'S REGISTERED AGENT":**

(Name)

NIELS B. HANBOLD

(Address)

MANAGER OF MINES

GRAND JUNCTION, COLORADO 81502

(303) 245-3700

(Phone)

**"OPERATOR'S OFFICER(S)":**

EARL W. SHORTRIDGE

DIRECTOR OF OPERATIONS

UMETCO MINERALS CORPORATION

**"SURETY":**

(Form of Surety - Attachment B)

SURETY BOND

**"SURETY COMPANY":**

(Name, Policy or Acct. No.)

GENERAL INSURANCE COMPANY OF AMERICA

**"SURETY AMOUNT":**

(Escalated Dollars)

\$63,900

**"ESCALATION YEAR":**

1998

**"STATE":**

State of Utah

**"DIVISION":**

Division of Oil, Gas and Mining

**"BOARD":**

Board of Oil, Gas and Mining

**ATTACHMENTS:**

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between UMETCO MINERALS CORPORATION the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/037/040 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated 2/26/82, and the original Reclamation Plan dated 2/26/82. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

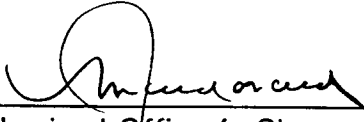
amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

J. Macdonald, Secretary

Authorized Officer (Typed or Printed)



Authorized Officer's Signature

11/2/93

Date

SO AGREED this 23<sup>rd</sup> day of March, 19 94.

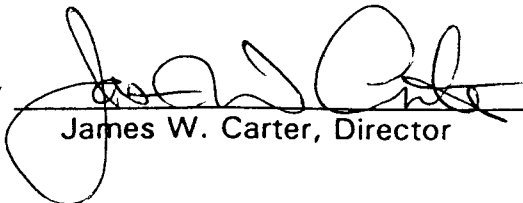
AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY



Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

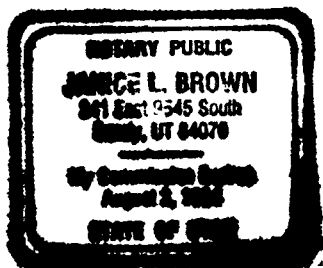
DIVISION OF OIL, GAS AND MINING:

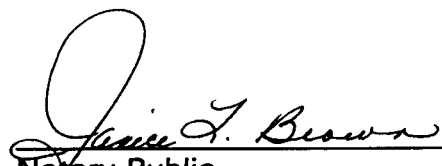
By   
James W. Carter, Director

3/23/94  
Date

STATE OF Utah )  
 ) ss:  
COUNTY OF Salt Lake )

On the 23<sup>rd</sup> day of March, 19 94, personally  
appeared before me, who being duly sworn did say that he/she, the said  
JAMES W. CARTER is the Director of the Division of  
Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she  
duly acknowledged to me that he/she executed the foregoing document by  
authority of law on behalf of the State of Utah.



  
Notary Public  
Residing at: Sandy, Utah

August 3, 1994  
My Commission Expires:

OPERATOR:

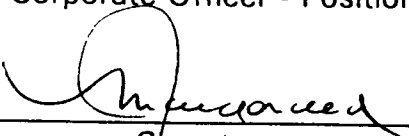
UMETCO MINERALS CORPORATION

Operator Name

By J. Macdonald - Secretary  
Corporate Officer - Position

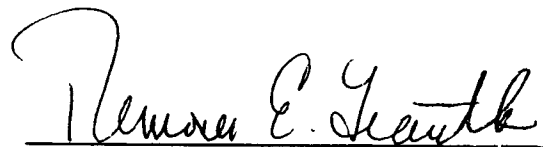
11/2/93

Date

  
Signature

STATE OF Connecticut )  
COUNTY OF Fairfield ) ss:

On the 2nd day of November, 19 93, personally  
appeared before me J. Macdonald who  
being by me duly sworn did say that he/she, the said J. Macdonald  
is the Secretary of Umetco Minerals Corporation  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
J. Macdonald duly acknowledged to me that said  
company executed the same.



Notary Public

Residing at: New Fairfield, CT

RAMONA E. TRAUTLEIN  
NOTARY PUBLIC  
MY COMMISSION EXPIRES FEB. 28, 1996

My Commission Expires:



SURETY:

GENERAL INSURANCE COMPANY OF AMERICA  
Surety Company

By \_\_\_\_\_  
Company Officer - Position

11/2/93  
Date

Marisol Plaza  
Signature

MARISOL PLAZA, ATTORNEY-IN-FACT

STATE OF NEW YORK )  
COUNTY OF NEW YORK ) ss:

On the 2ND day of NOVEMBER, 19 93, personally  
appeared before me MARISOL PLAZA who  
being by me duly sworn did say that he/she, the said \_\_\_\_\_  
is the ATTORNEY-IN-FACT of GENERAL INSURANCE COMPANY OF AMERICA  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
\_\_\_\_\_ duly acknowledged to me that said  
company executed the same.

**THOMAS S. BRANIGAN**  
Notary Public, State of New York  
No 01BR5015807  
Qualified in New York County  
Commission Expires July 26, 1995

Thomas S. Branigan  
Notary Public  
Residing at: New York, NY

My Commission Expires: \_\_\_\_\_

NOTE: An affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Contract.

**ATTACHMENT "A"**

UMETCO MINERALS CORPORATION

Operator

M/037/040

Permit Number

VELVET MINE

Mine Name

SAN JUAN

County, Utah

**The legal description of lands to be disturbed is:**

Portions of:

SE 1/4 NE 1/4 and NW 1/4 SE 1/4 and SW 1/4 SE 1/4 and NW 1/4 SW 1/4  
Section 3, Township 31 South, Range 25 East, SLBM  
San Juan County, Utah

ATTACHMENT B

MR FORM 5  
April 8, 1993

Bond Number \_\_\_\_\_  
Permit Number M/037/040  
Mine Name Velvet Mine

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

*Released*  
*11/21/99*  
*DOG*  
*JB*

THE MINED LAND RECLAMATION ACT

SURETY BOND

\*\*\*\*\*

The undersigned UMETCO MINERALS CORPORATION, as  
Principal, and GENERAL INSURANCE COMPANY OF AMERICA, as  
Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors,  
successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil,  
Gas and Mining (Division) in the penal sum of SIXTY TWO THOUSAND FIVE HUNDRED THIRTY  
dollars (\$ 62,535.00 ). FIVE AND 00/100

Principal has estimated in the Mining and Reclamation Plan approved by the  
Division on the 26TH day of FEBRUARY, 1982, that 27.9  
acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the  
Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal  
has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining  
and Reclamation Plan and has faithfully performed all requirements of the Mined Land  
Reclamation Act, and complied with the Rules and Regulations adopted in accordance  
therewith, then this obligation shall be void; otherwise it shall remain in full force and  
effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of  
the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act  
and regulations, then Principal may apply for a reduction in the amount of this Surety  
Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual  
increase in the area disturbed or the extent of disturbance, then, the Division may  
require that the amount of this Surety Bond be increased, with the written approval of  
the Surety.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.

IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.


Date 9/21/93

UMETCO MINERALS CORPORATION

Principal (Permittee)

By (Name typed): J. Macdonald

Title: Secretary

Signature: 

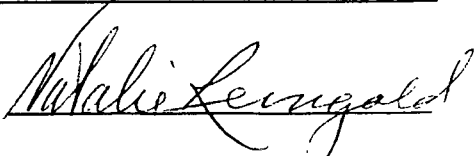
Date SEPTEMBER 15, 1993

GENERAL INSURANCE COMPANY OF AMERICA

Surety

By (Name typed): NATALIE REINGOLD

Title: ATTORNEY-IN-FACT

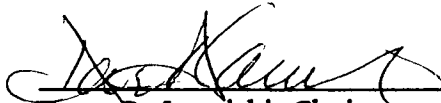
Signature: 

Page 3  
MR-5  
Attachment B

Bond Number \_\_\_\_\_  
Permit Number M/037/040  
Mine Name Velvet Mine

SO AGREED this 23<sup>rd</sup> day of March, 19 99.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

  
\_\_\_\_\_  
Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

**\*NOTE:** Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

## AFFIDAVIT OF QUALIFICATION

NATALIE REINCOLD, being first duly sworn, on oath deposes and says that he/she is the (officer or agent) ATTORNEY-IN-FACT of said Surety, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

Signed: *Natalie Reingold*  
Surety Officer  
NATALIE REINCOLD

Title: ATTORNEY-IN-FACT

Subscribed and sworn to before me this 15TH day of SEPTEMBER, 19 93.

*Frank J. Niestadt, Jr.*  
Notary Public  
Residing at: NEW YORK, NY

FRANK J. NIESTADT, JR.  
Notary Public, State of New York  
No. 01NI5010147  
Qualified in Suffolk County  
Commission Expires March 29, 1995

My Commission Expires:

MARCH 29, 19 95



POWER  
OF ATTORNEY

SAFECO INSURANCE COMPANY OF AMERICA  
GENERAL INSURANCE COMPANY OF AMERICA  
HOME OFFICE SAFECO PLAZA  
SEATTLE, WASHINGTON 98185

No. \_\_\_\_\_

KNOW ALL BY THESE PRESENTS:

That **SAFECO INSURANCE COMPANY OF AMERICA** and **GENERAL INSURANCE COMPANY OF AMERICA**, each a Washington corporation, does each hereby appoint

-----NATALIE REINGOLD; JEAN M. ALLEN; MICHAEL J. FARLEY; MARISOL PLAZA; ETHEL T. KILDUFF,  
New York, New York-----

its true and lawful attorney(s)-in-fact, with full authority to execute on its behalf fidelity and surety bonds or undertakings and other documents of a similar character issued in the course of its business, and to bind the respective company thereby.

IN WITNESS WHEREOF, **SAFECO INSURANCE COMPANY OF AMERICA** and **GENERAL INSURANCE COMPANY OF AMERICA** have each executed and attested these presents

this 18th day of February, 19 92.

CERTIFICATE

Extract from the By-Laws of **SAFECO INSURANCE COMPANY OF AMERICA**  
and of **GENERAL INSURANCE COMPANY OF AMERICA**:

"Article V, Section 13. — FIDELITY AND SURETY BONDS . . . the President, any Vice President, the Secretary, and any Assistant Vice President appointed for that purpose by the officer in charge of surety operations, shall each have authority to appoint individuals as attorneys-in-fact or under other appropriate titles with authority to execute on behalf of the company fidelity and surety bonds and other documents of similar character issued by the company in the course of its business . . . On any instrument making or evidencing such appointment, the signatures may be affixed by facsimile. On any instrument conferring such authority or on any bond or undertaking of the company, the seal, or a facsimile thereof, may be impressed or affixed or in any other manner reproduced; provided, however, that the seal shall not be necessary to the validity of any such instrument or undertaking."

Extract from a Resolution of the Board of Directors of **SAFECO INSURANCE COMPANY OF AMERICA**  
and of **GENERAL INSURANCE COMPANY OF AMERICA** adopted July 28, 1970.

"On any certificate executed by the Secretary or an assistant secretary of the Company setting out,

- (i) The provisions of Article V, Section 13 of the By-Laws, and
- (ii) A copy of the power-of-attorney appointment, executed pursuant thereto, and
- (iii) Certifying that said power-of-attorney appointment is in full force and effect,

the signature of the certifying officer may be by facsimile, and the seal of the Company may be a facsimile thereof."

I, Boh A. Dickey, Secretary of **SAFECO INSURANCE COMPANY OF AMERICA** and of **GENERAL INSURANCE COMPANY OF AMERICA**, do hereby certify that the foregoing extracts of the By-Laws and of a Resolution of the Board of Directors of these corporations, and of a Power of Attorney issued pursuant thereto, are true and correct, and that both the By-Laws, the Resolution and the Power of Attorney are still in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the facsimile seal of said corporation

this 15TH day of SEPTEMBER, 19 93.



## GENERAL INSURANCE COMPANY OF AMERICA

## FINANCIAL STATEMENT — DECEMBER 31, 1992

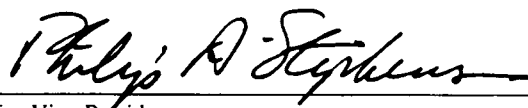
Assets		Liabilities	
Cash and Bank Deposits	\$ 13,790,365	Unearned Premiums	\$ 247,173,459
* Bonds — U.S. Government	89,551,086	Reserve for Claims and Claims Expense	706,728,937
* Other Bonds	942,784,318	Reserve for Dividends to Policyholders	6,317,889
* Stocks	332,485,603	Additional Statutory Reserve	624,868
Real Estate	14,527,902	Reserve for Commissions, Taxes and	
Agents' Balances or Uncollected Premiums	108,094,151	Other Liabilities	115,741,526
Accrued Interest and Rents	27,084,686	<b>Total</b>	<b>\$1,076,586,679</b>
Other Admitted Assets	60,951,196		
		Capital Stock	\$ 2,500,000
		Paid in Surplus	2,391,058
		Unassigned Surplus	507,791,570
		<b>Surplus to Policyholders</b>	<b>512,682,628</b>
<b>Total Admitted Assets</b>	<b>\$1,589,269,307</b>	<b>Total Liabilities and Surplus</b>	<b>\$1,589,269,307</b>

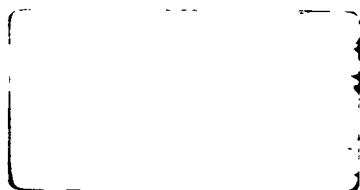


\* Bonds are stated at amortized or investment value; Stocks at Association Market Values.  
Securities carried at \$141,734,097 are deposited as required by law.

I, PHILIP A. STEPHENS, Senior vice-president of General Insurance Company of America, do hereby certify that the foregoing is a true, and correct statement of the Assets and Liabilities of said Corporation, as of December 31, 1992, to the best of my knowledge and belief.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Corporation at Seattle, Washington, this 1st day of March, 1993.

  
Senior Vice-President







SURETY RIDER

SAFECO INSURANCE COMPANY OF AMERICA  
GENERAL INSURANCE COMPANY OF AMERICA  
FIRST NATIONAL INSURANCE COMPANY  
OF AMERICA  
HOME OFFICE: SAFECO PLAZA  
SEATTLE, WASHINGTON 98185

To be attached to and form a part of

Bond No.

Type of Bond: MINED LAND RECLAMATION BOND

dated SEPTEMBER 15, 1993  
effective

(MONTH-DAY-YEAR)

executed by UMETCO MINERALS CORPORATION  
(PRINCIPAL)

.as Principal.

and by GENERAL INSURANCE COMPANY OF AMERICA

.as Surety.

in favor of STATE OF UTAH, DEPT. OF NATURAL RESOURCES, DIVISION, OIL, GAS & MINING  
(OBLIGEE)

in consideration of the mutual agreements herein contained the Principal and the Surety hereby consent to changing  
INCREASE BOND PENALTY:

FROM: \$62,535.00

TO: \$63,900.00

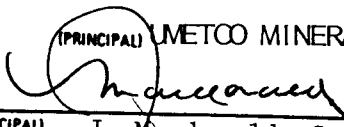
Nothing herein contained shall vary, alter or extend any provision or condition of this bond except as herein expressly stated.

This rider is effective SEPTEMBER 15, 1993

(MONTH-DAY-YEAR)

Signed and Sealed NOVEMBER 4, 1993  
(MONTH-DAY-YEAR)

(PRINCIPAL) UMETCO MINERALS CORPORATION

By:   
(PRINCIPAL) J. Macdonald, Secretary

GENERAL INSURANCE COMPANY OF AMERICA

By:   
(ATTORNEY-IN-FACT)  
MICHAEL J. FARLEY

*Released*  
*11/21/94*  
*DOGM JP*